2007-08

ANNUAL REPORT

GOVERNMENT PURCHASING AGENCY

The Government Purchasing Agency is continued as a branch of the public service of the province. GPA Act Section 3.(1)

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Labrador

MESSAGE FROM THE MINISTER

It is my pleasure to present the 2007-08 Government Purchasing Agency's (Agency) Annual Report. As Minister responsible for the Government Purchasing Agency I am accountable for the results reported. The 2007-08 Annual Report is performance based and reflects the success of the Agency in meeting the goals established in its 2006-08 Business Plan.

The mandate of the Agency is to provide leadership and support to the public sector in the areas of procurement and supplier development. The authority to carry out these functions is provided through the *Government Purchasing Agency Act* and the *Public Tender Act*.

The past year was an exciting time for the Agency with the awarding of a contract for the purchase of a complete procurement solution. Once fully operational this system will provide detailed procurement data from government departments. The combination of this system with the recent implementation of the Tender Award and Reporting System will provide the Agency with procurement information from departments and government funded bodies throughout the province. This information supports each of the Agency's strategic directions and will provide limitless possibilities for enhancing the procurement process within Government.

The purpose of this report is to promote a better understanding of the Agency and its policies. It will provide details on the Agency's activities and highlight its major accomplishments for the year. It will also identify potential opportunities and challenges for 2008-09.

I would like to take this opportunity to acknowledge those who contributed to this report and the dedication of the staff of the Government Purchasing Agency.

Kevin O'Brien
Minister Responsible for the Government Purchasing Agency

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Government Purchasing Agency

GOVERNMENT ENTITY OVERVIEW

The Government Purchasing Agency (the Agency) is an independent branch of the public service with 30 staff positions under the management and control of a Chief Operating Officer. The Agency operates under the authority of the *Government Purchasing Agency Act* and the *Public Tender Act*. The *Government Purchasing Agency Act* outlines the mandate of the Agency and provides for its operation. The *Public Tender Act* is the primary legislation that governs procurement within the public sector.

Vision

The vision of the Agency is of an informed public sector and supplier community participating in a transparent and equal opportunity procurement environment. Its programs and services are guided by this vision.

Mission

The mission statement of the Agency is expressed as follows:

> **By 2011, the Government Purchasing Agency will have improved internal business processes to enhance efficiencies in the procurement process.**

It aims to achieve this mission through;

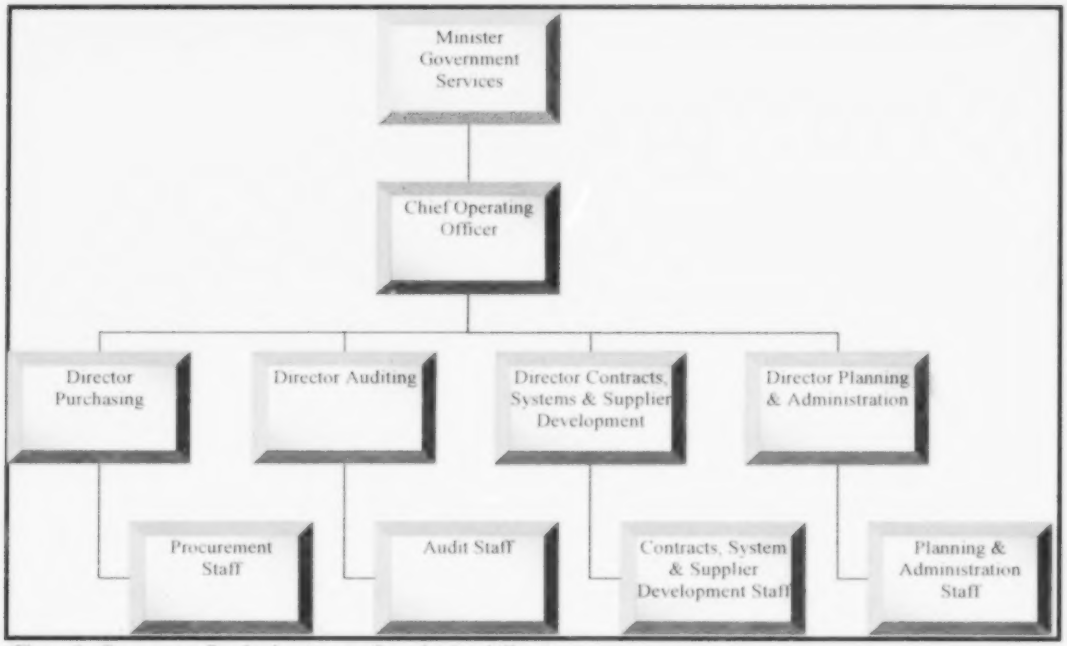
- the establishment of clear and defined work flows and timelines,
- properly allocating duties,
- ensuring all polices and procedures are clear and efficient,
- consolidating purchasing activity for volume buying, and
- expanded signing authorities

Organizational Structure

The Agency is located in the Petten Building, 30 Strawberry Marsh Road, St. John's, NL and serves all its clients from this location.

In 2007-08, the Agency expanded into four divisions with the addition of Planning & Administration. There are currently 23 staff members with a female to male ratio of approximately 1.9:1. Two of the four Director positions are occupied by females. This gives the Agency a female to male ratio of 1:1 at the Director level.

Together the four divisions collectively ensure the efficient and effective delivery of programs and services to government departments, government-funded bodies and supplier community.



(Figure 1 - Government Purchasing Agency Organizational Chart)

Lines of Business

The Agency provides the following lines of business; Procurement, Audit and Contracts, Systems and Supplier Development

PROCUREMENT

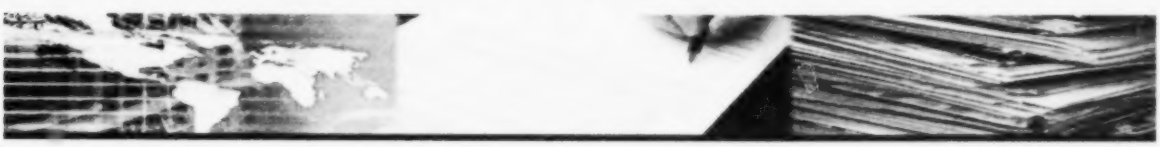
The Agency provides purchasing services to government departments and coordinates joint purchasing initiatives with departments and other governments. It has also partnered with the Corporate Services Team in an effort to streamline purchasing procedures under the Corporate Services Model.

In addition to being responsible for administering the intergovernmental procurement agreements, the Agency determines purchasing policies, administers the advertising and corporate charge card programs and arranges for the disposal of government assets when required.

Purchasing

The procurement cycle includes the advertising, tendering, acquisition of goods and services and the disposal of assets. While the Agency delegated purchasing authority to departments for low dollar value acquisitions and immediate operational requirements, it continues to procure those goods and services in excess of $2,500 on behalf of departments. It also offers advice and information to departments when utilizing its delegated purchasing authority. For those goods and services exceeding $10,000 the requirements are publicly tendered unless special circumstances exist.

The Central Purchasing Authority was established to coordinate and administer a system of high volume procurement on behalf of government-funded bodies. In 2007-08, it administered 33 contracts for



various commodity items.

Bidding opportunities with an estimated value of $2,500 or greater are advertised on the GPA website www.gpa.gov.nl.ca. The public may access bidding opportunities as well as information about procurement within the Government of Newfoundland and Labrador from this site. Request for Proposals issued by government departments are also posted to this website. Tenders issued by crown corporations, municipalities, academic institutions, school boards and health care facilities are posted upon their request.

As the largest buying unit in the public sector, the Government Purchasing Agency is also responsible for:

- the application and administration of the Public Tender Act in the acquisition of goods and services.
- the administration of the corporate charge card system.
- the disposal of crown assets.
- the importation of goods through Canada Customs.
- the coordination of advertising for all government departments.
- the application and administration of the Intergovernmental Agreements.

Corporate Charge Card

The Government of Newfoundland and Labrador utilizes a Corporate Charge Card System for travel related goods and services. This system, which is administered by the Agency, facilitates business travel for employees of the public service by offering an efficient payment method. In 2007-08, there were 2,357 active cards.

Disposals

The Agency coordinates and arranges for the disposal of crown assets by public tender, auction, transfers between departments or agencies, and destruction when there is no remaining realizable value. It also maintains a warehouse in Pleasentville where surplus government assets are stored. Items maintained at this site consist of office furniture, telecommunication equipment, etc. Departments wishing to acquire these assets can request the items be transferred to the appropriate location.

Advertising

Advertising is used to communicate significant issues, vital information and bidding/employment opportunities to the people of Newfoundland and Labrador. The advertising requirements of government departments are coordinated through the Agency. Through this coordinated effort the Government of Newfoundland and Labrador is able to achieve significant cost savings.

AUDIT

The audit and accountability function for the Government Purchasing Agency consists of monitoring and reporting tender information and exceptions to the *Public Tender Act*. It is also responsible for reviewing acquisitions made by government departments and government-funded bodies to ensure compliance with procurement legislation, policies and procedures.

Auditing

The auditing function promotes the proper application of procurement legislation, as well as accountability in the procurement process. Departmental audits are conducted to measure compliance with procurement legislation and delegated purchasing authority. Audits of government-funded bodies

are also performed to ensure compliance with the *Public Tender Act*, Regulations and related legislation. Investigative audits, related to the application of the *Public Tender Act*, are conducted as required.

Applicable Legislation & Agreements

1. Government Purchasing Agency Act
2. Public Tender Act
3. Public Tender Regulations
4. Atlantic Procurement Agreement
5. Agreement on Internal Trade

Reporting/Information

The *Public Tender Act* identifies the reporting responsibilities of the Agency with respect to exceptions to the Act. Throughout the year, 1,268 exceptions were reported and subsequently submitted to the House of Assembly in the form of Monthly Exception Reports.

The Agency is also responsible for the administration of the *Public Tender Act* and intergovernmental procurement agreements. In accordance with this responsibility, the Agency provided interpretative services to departments and government-funded bodies to ensure compliance with all applicable legislation.

Training and Information

A purchasing training and information package is continuously available to all members of the public service. The goal is to provide participants with the required information to ensure procurement is completed in a manner consistent with applicable legislation. Participants are provided with an overview of the *Public Tender Act* and Regulations, *Government Purchasing Agency Act*, Atlantic Procurement Agreement, the Agreement on Internal Trade, and purchasing procedures.

The Agency also participates in Supplier Development Information Sessions in partnership with the Department of Innovation, Trade and Rural Development. The goal is to provide members of the supplier community with information on procurement legislation and the purchasing practices of government departments and government-funded bodies.

CONTRACTS, SYSTEMS AND SUPPLIER DEVELOPMENT

The Agency is responsible for ensuring the successful implementation of a comprehensive procurement lifecycle management system.

System Development

The Agency has initiated the implementation of a new procurement system which will support the following business functions:

- Maximize cost savings
- Self-service requisitioning process
- Self-service supplier registration /profile maintenance
- Electronic tender publication
- Electronic bidding
- E-notification services
- Bid evaluation tools
- Online registration for suppliers
- Regionalize procurement opportunities to maximize localized vendor participation
- Ability to audit and review acquisitions on-line
- Web based service for vendors and departments

Tender Award and Reporting System

The Tender Award and Reporting System permits government-funded bodies to enter tender and award information online in accordance with the requirements of Section 10.1 of the *Public Tender Act*. This reporting ability enables the Agency to monitor the success of Newfoundland and Labrador companies bidding on Government tenders.

SHARED COMMITMENTS

The Agency continues to develop and maintain relationships with various Government departments, the industry sector and federal and territorial governments.

Public Sector

In its Strategic Directions, the Agency committed to compliance with the *Public Tender Act*. To support this strategy the Agency continues to deliver its "Introduction to Purchasing" training to management. This is included as part of the Leadership and Management Development Strategy delivered through the Centre for Learning and Development (CLD). This module provides participants with information on the proper application of the *Public Tender Act* and Regulations and the intergovernmental trade agreements. The CLD coordinates delivery of the presentation and ensures feedback is obtained from participants to measure their understanding of the information presented.

A similar presentation "Overview of Purchasing" is also available to departmental support staff and employees of government-funded bodies. In addition, Agency staff continue to be accessible to the public service in the development of tender specifications, evaluation of bids, the tendering and award process and interpretation and application of relevant legislation. By informing the public service of the legislative requirements and assisting them in their on-going procurement needs the Agency is promoting compliance and increasing transparency and accountability within the procurement process.

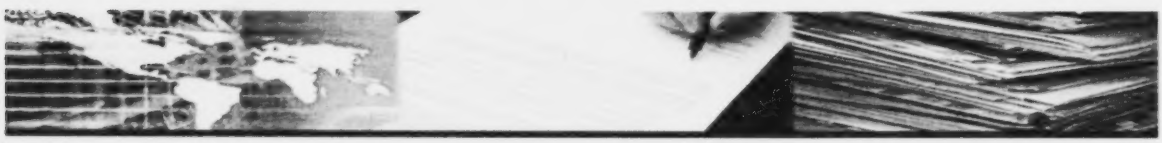
Industry

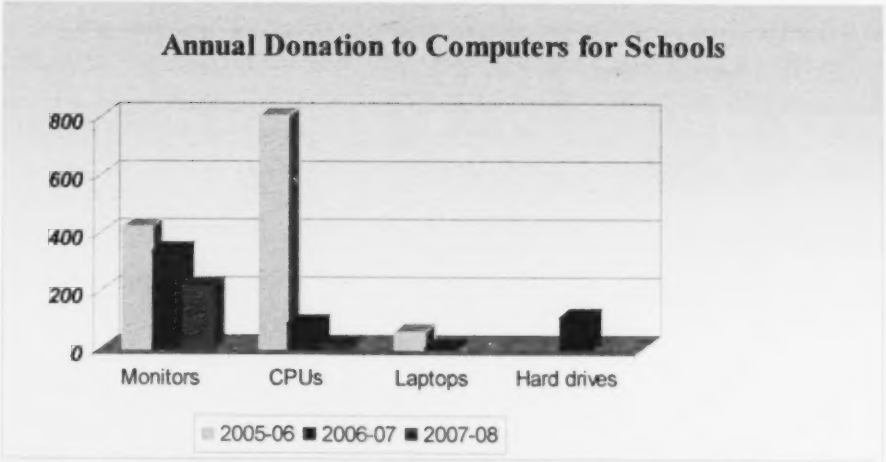
The Agency is continuing in its partnership with the Department of Innovation, Trade and Rural Development (INTRD) in the Supplier Development initiative. The Department of INTRD coordinates Supplier Information sessions throughout the Province and partners with the Agency to promote awareness of government's procurement practices and potential bidding opportunities. This shared commitment directly supports the Supplier Development initiative to improve access to procurement opportunities for suppliers.

Federal/Territorial Governments

The Agency administers the intergovernmental procurement agreements on behalf of the Province. The Government of Newfoundland and Labrador's involvement with these agreements has become a valuable means of reducing trade barriers across provinces. The purpose of implementing intergovernmental procurement agreements is to establish a framework that will ensure equal access to procurement for all suppliers. These agreements contribute to a reduction in purchasing costs and the development of a strong economy. Participation in these agreements directly support the Minister's commitment to Supplier Development. The agreements ensure local suppliers have an equal opportunity when bidding on Government tender opportunities throughout the Atlantic Provinces and Canada. The Agency is also a member of both the national working group for furthering green procurement and the national working group for furthering the development of ethical procurement practices.

The Government Purchasing Agency continues to participate in the Computers for Schools Program. This is a national program that operates in cooperation with all provinces and territories, and the volunteer and private sectors. The following chart depicts the Agency's contribution for the past three years through the donation of monitors, CPU's, hard drives and laptops.



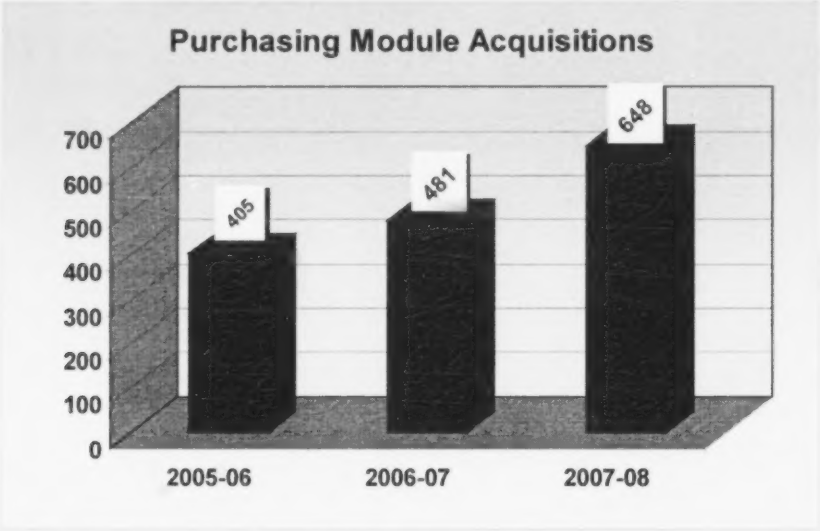


(Figure 2 - Annual Donation to Computers for Schools)

HIGHLIGHTS AND ACCOMPLISHMENTS

Purchasing

- In 2007-08, acquisitions made through the Oracle purchasing module totaled $648 million. This compares to $481 million in 2006-07 and $405 million in 2005-06.



(Figure 3 - Purchasing Module Acquisitions)

- In 2007-08, the Agency administered 13 public auctions and eight disposal tenders on behalf of government departments and agencies as compared to 13 auctions and 12 disposal tenders in 2006-07.

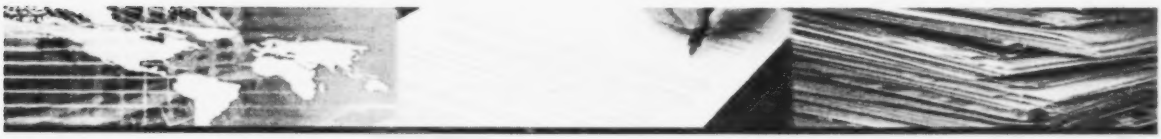
- In 2007-08, the estimated expenditure for coordinated advertising was $3.7 million compared to $1.8 million in 2006-07.

- In 2007-08, the Central Purchasing Authority coordinated 33 contracts to be used by both government departments and government-funded bodies.

- Estimated expenditures related to contracts administered by the Central Purchasing Authority was $45,000,000.

Audit

- In 2007-08, 10 audits of government-funded bodies and departments were performed. This audit function is incorporated into the Agency's work plan and directly supports the strategic direction of Compliance with the *Public Tender Act*.



Information and Training

- Throughout the year the Agency delivered its "Introduction to Purchasing" module to 280 management personnel.
- The "Overview of Purchasing" presentation was delivered to 202 public sector employees.
- The delivery of these presentations support the Agency's strategic direction of Compliance with the *Public Tender Act*. The training initiative is addressed in the work plan of the Agency.
- Representatives from the Agency participated in five Supplier Development sessions during the year. These were held in Grand Falls-Windsor, Gander, Deer Lake, St. John's and Marystown.
- The Agency reached a 26% reduction in Red Tape.
- In 2007-08, the Agency awarded a contract for Consulting Services entitled "Review of Government's Procurement Legislation, Policies and Processes". A report was submitted to the Agency which outlined recommendations for revising the *Public Tender Act* and Government's procurement processes. This report is currently under review by the Agency.
- The Agency began analysis of the data collected through the TARS system to determine the success of local companies with respect to government procurement opportunities. This initiative is a component of the Supplier Development strategic direction and is addressed in the work plan of the Agency.

REPORT ON PERFORMANCE

In its 2006-08 Business Plan the Agency identified its two year goal as initiating the collection of select baseline data for its internal business processes. It also identified the results expected from the achievement of this goal as a "Report containing supportive data and/or information including, but not limited to, turnaround times and program statistics". The following details the Agency's success in accomplishing this goal.

Issue: Internal Business Processes

As reported in the 2006-08 Business Plan the Government Purchasing Agency administers several programs within its mandate to service government departments, government-funded bodies and the public. Program information is generally available at the Government Purchasing Agency, however, as a structured reporting system has not been developed manual data extraction is necessary. Current processes do not easily permit a detailed analysis of the information available or facilitate an agency wide examination of all programs. As a result, the Agency established the following Goal for 2008;

> **Goal: By 2008, the Government Purchasing Agency has initiated the collection of select baseline data for its internal business processes.**
>
> **Measure: Initiated the collection of select baseline data for its internal business processes.**
>
> **Indicators: Report containing supportive data and/or information including, but not limited to, turnaround times and program statistics.**

It is important to note that the 2007/08 objective is identical to the goal listed above. Therefore, the information reported constitutes reporting for both the goal and objective. Consequently, the measures and indicators listed above are identical to the measures and indicators listed for the 2007/08 objective.

As a first step in improving data collection the Agency implemented a Fasse-Track Asset Management system in the 2006-07 fiscal year. This provided for detailed inventory monitoring and enabled the Agency to monitor asset usage, expected life-cycle, auction availability and revenue generated from disposal tenders/auctions. These details are invaluable for planning auctions, disposals and replenishment while monitoring departmental use of these surplus assets.

In 2007-08, the Agency made further advancements in data collection. It was successful in the implementation of a Tender Award and Reporting System, initiated the implementation of a complete procurement solution for government and developed reports detailing procurement statistics. Each of these initiatives directly support government's commitment to reform procurement and capital works tendering policies. It also supports the following strategic directions of the Minister;

> **Strategic Direction: Supplier Development**
> **Outcome Statement: Improved access to procurement opportunities for suppliers.**
>
> **Strategic Direction: Procurement**
> **Outcome Statement: Improved efficiencies in the procurement cycle.**

Results Achieved in 2007-08

1. Implementation of the Tender Award and Reporting System (TARS).

Description

The implementation of a system for the filing of public tender notices and award information represents a great achievement for the Agency. In developing this system staff worked with employees from the Office of the Chief Information Officer to:

- create the Internet-based system
- ensure the system was easily accessible to government-funded bodies
- restrict access to unauthorized users
- ensure the required information was collected in a format usable to the Agency
- ensure reports were generated which accurately reflect the information submitted by government-funded bodies.

Agency staff also met with representatives of government-funded bodies to inform them of the reporting requirements. Training sessions were also held to ensure users had the proper knowledge to report tender information.

This system has provided Government organizations with an efficient reporting method. It also provides the Agency with information respecting the success of Newfoundland and Labrador companies when bidding on Government tenders. To date there are 29 active registrants on the TARS System.

2. Acquisition of a complete procurement solution.

The Agency recently awarded a contract for the purchase of a complete procurement solution. This system, while in the initial stages of implementation, will provide Government with the tools, statistics and reporting capabilities for greater transparency and accountability. Once implemented it will enable users to:

- Collect and analyze data related to regionalized procurement trends and product availability
- Assist in maximizing use of local vendors
- Collect and improve upon turnaround times in the acquisition process
- Extract relevant audit and reporting information

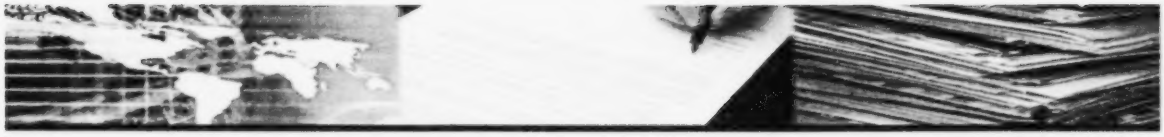
The system will also allow suppliers to register their business and commodities on-line, update their system profile as needed and submit bids electronically. This self-service ability will also support Government's Red Tape Reduction initiative by reducing the paperwork required of suppliers wanting to do business with Government.

3. Report detailing procurement statistics.

Data on procurement statistics were compiled and analyzed. Information contained in these monthly reports detail:

- the volume of procurement activity,
- the department requesting the action,
- the completion time from date requisition received to date the purchase order was issued,
- and any issues concerning the particular requisition.

With this information the Agency will be able to set benchmarks for the procurement process, analyze departmental procurement activity for volume buying opportunities and identify recurring issues arising during the process (i.e. no bids received, revisions required, and technical evaluations required).



OPPORTUNITIES AND CHALLENGES

As the leader in public procurement the Government Purchasing Agency continues to take advantage of opportunities for improving procurement processes and increasing supplier development initiatives. With the addition of a Supplier Development Coordinator an opportunity exists to work directly with the supplier community to increase their participation in government contracts.

The impending implementation of a complete procurement system will create many opportunities and challenges for the Agency and government as a whole. The new system, with its self-service components, will create a high demand for training. However, once fully implemented there will be increased efficiencies and faster turnaround times. The system will also provide the reporting and analysis tools required to improve upon volume buying opportunities, review seasonal purchasing trends, regional supply and demand, etc.

Information provided by the TARS system will assist in identifying product demand and availability across the Province. This provides a great opportunity for the Agency to assist local suppliers competing for government business. The challenges exist in analyzing the data with the aim of strengthening the provincial supplier market.

Streamlining the procurement process under the Corporate Services Business Model will present a significant challenge to the Agency in 2008-09. The goal from the purchasing perspective is the centralization of procurement activities under the authority of the Government Purchasing Agency. The success of this reorganization will require the repositioning of staff across departments, developing additional policies and procedures and communicating the new processes to all departmental employees across government.

FINANCIAL STATEMENTS

Government Purchasing Agency
Statement of Expenditure and Related Revenues
For Fiscal Year Ending 31 March 2008

	Estimates		
	Actual	Amended	Original
Salaries & Benefits	$1,061,058	$1,261,900	$1,251,600
Transportation & Communication	43,949	50,000	60,000
Supplies	23,098	23,600	22,900
Professional Services	133,794	178,000	225,000
Purchased Services	168,019	170,900	144,900
Property, Furnishings & Equipment	17,271	21,700	1,700
	$1,447,189	**$1,706,100**	**$1,706,100**
	Less Revenues		
	($124,342)	($258,000)	($258,000)
Total Government Purchasing Agency	**$1,322,847**	**$1,448,100**	**$1,448,100**

Expenditure and revenue figures included in this document are un-audited and based on public information provided in the Report on Program Expenditures and Revenues of the Consolidated Revenue Fund for the Year Ended 31 March 2008. Audited financial statements are a requirement at the government level and are made public through the Public Accounts process, however, the Government Purchasing Agency is not required to provide a separate audited financial statement.

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